

ACCOUNTING

Time allowed – 1½ hours

Total Marks – 100

[N.B. – The figures in the margin indicate full marks. Question must be answered in English. Examiner will take account of the quality of language and of the way in which the answers are presented. Different parts, if any, of the same question must be answered in one place in order of sequence.]

- | | Marks | | | | | | | | | | | | | | | |
|--|----------------------------|----------------------------|----------------------------|----------|-----|-----|-------------------|--------|-----|-------------------|--------|-----|-------------------|--------|-----|--|
| 1. Write short notes on the followings:
i) Capital income, ii) Historical cost, iii) Cash discount, iv) Offsetting. | 10 | | | | | | | | | | | | | | | |
| 2. Assets = Capital + Liabilities. Explain. | 6 | | | | | | | | | | | | | | | |
| 3. What are Capital Expenditure and Revenue Expenditure?
Classify the following between Capital Expenditure and Revenue Expenditure giving brief reasons in each case: | 4
5 | | | | | | | | | | | | | | | |
| i) Stock valued at Tk.10,000 and Machinery appearing in the books at a value of Tk.4,000 which were destroyed by fire and for which Tk.10,500 and Tk.4,250 respectively were received from the insurance company. | | | | | | | | | | | | | | | | |
| ii) Cost of conversion of gas plant to oil fuel plant for the generation of electricity. | | | | | | | | | | | | | | | | |
| iii) Expenses incurred on research for a particular product which ultimately did not result in success. | | | | | | | | | | | | | | | | |
| iv) Accrued dividend or interest included in the cost price of an investment. | | | | | | | | | | | | | | | | |
| v) Lawyer's fees for drafting an agreement of lease for an immovable property. | | | | | | | | | | | | | | | | |
| 4. Differentiate between debenture and stock. | 4 | | | | | | | | | | | | | | | |
| Journalize the following transactions in the books of Triplex Ltd. | 4 | | | | | | | | | | | | | | | |
| Triplex Ltd. issued 10,000, 6% Debentures of Tk.100 each at a premium of 10% payable Tk.25 on application, Tk.35 on allotment (<i>including premium</i>) and the balance on first and final call. | | | | | | | | | | | | | | | | |
| Applications were received for 15,000 debentures. All allotments were made proportionately, oversubscriptions being applied to the amount due on allotment. All sums due were received by the company in due course. | | | | | | | | | | | | | | | | |
| 5. Mr. Shafayet realizes that his business will suffer an increase in customers not paying in the future and so he decides to make an allowance against those who are at greater risk at each year end. | | | | | | | | | | | | | | | | |
| <table style="margin-left: auto; margin-right: auto;"><thead><tr><th></th><th style="text-align: center;">Balance on receivables a/c</th><th style="text-align: center;">Balance at risk of default</th></tr><tr><th></th><th style="text-align: center;">Tk.</th><th style="text-align: center;">Tk.</th></tr></thead><tbody><tr><td>Year end 31.12.07</td><td style="text-align: center;">15,200</td><td style="text-align: center;">304</td></tr><tr><td>Year end 31.12.08</td><td style="text-align: center;">17,100</td><td style="text-align: center;">342</td></tr><tr><td>Year end 31.12.09</td><td style="text-align: center;">21,400</td><td style="text-align: center;">214</td></tr></tbody></table> | | Balance on receivables a/c | Balance at risk of default | | Tk. | Tk. | Year end 31.12.07 | 15,200 | 304 | Year end 31.12.08 | 17,100 | 342 | Year end 31.12.09 | 21,400 | 214 | |
| | Balance on receivables a/c | Balance at risk of default | | | | | | | | | | | | | | |
| | Tk. | Tk. | | | | | | | | | | | | | | |
| Year end 31.12.07 | 15,200 | 304 | | | | | | | | | | | | | | |
| Year end 31.12.08 | 17,100 | 342 | | | | | | | | | | | | | | |
| Year end 31.12.09 | 21,400 | 214 | | | | | | | | | | | | | | |
| Requirements: | | | | | | | | | | | | | | | | |
| For each of the three years: | | | | | | | | | | | | | | | | |
| (a) What are the closing trade receivables and allowances for receivables balance? | 6 | | | | | | | | | | | | | | | |
| (b) What charge is made to the income statement? | 3 | | | | | | | | | | | | | | | |
| 6. The debit balance in ABC Ltd.'s cash book at the year end is Tk.45,220. The following items appear in the bank reconciliation at the year end. | | | | | | | | | | | | | | | | |
| <table style="margin-left: auto; margin-right: auto;"><tbody><tr><td>Unpresented cheque</td><td style="text-align: right;">Tk.2,880</td></tr><tr><td>Uncleared lodgments</td><td style="text-align: right;">Tk.9,187</td></tr></tbody></table> | Unpresented cheque | Tk.2,880 | Uncleared lodgments | Tk.9,187 | | | | | | | | | | | | |
| Unpresented cheque | Tk.2,880 | | | | | | | | | | | | | | | |
| Uncleared lodgments | Tk.9,187 | | | | | | | | | | | | | | | |
| A customer's cheque for Tk.2,210 was returned unpaid by the bank before the year end, but this has not been recorded in the cash book. | | | | | | | | | | | | | | | | |
| What was the balance in hand shown by the bank statement? | 6 | | | | | | | | | | | | | | | |
| 7. From the following transactions prepare the journal entries and show the effect of transactions: | 8 | | | | | | | | | | | | | | | |
| a) Started business with Tk.25,000 in cash. | | | | | | | | | | | | | | | | |
| b) Bought machinery on credit from XYZ Co. Tk.10,000. | | | | | | | | | | | | | | | | |
| c) Bought office furniture for cash Tk.3,000. | | | | | | | | | | | | | | | | |
| d) Sold some of the office furniture (not suitable for the business) on credit to Momen & Sons for Tk.500. | | | | | | | | | | | | | | | | |
| e) Returned part of machinery worth Tk.2,000 to XYZ Co. due to some defects. | | | | | | | | | | | | | | | | |
| f) Paid the amount due to XYZ Co. | | | | | | | | | | | | | | | | |
| g) Cash withdrawn by proprietor for personal use Tk.200. | | | | | | | | | | | | | | | | |
| h) Received the amount due from Momen & Sons. | | | | | | | | | | | | | | | | |

[Please turn over]

8. On 1 January 2008 XYZ Co. buys a non-current asset for Tk.12,00,000 with an estimated useful life of 20 years and no residual value. The company depreciates its non-current assets on a straight line basis. Its year end is 31 December. On 31 December 2010 the asset will be included in the balance sheet as follows:

	Tk.
Non-current asset at cost	12,00,000
Accumulated depreciation	(180,000)
	<u>10,20,000</u>

On 1 January 2011 the remaining useful life is revised to 15 years from that date. Calculate the revised annual depreciation charge. 7

9. PQR company has two non-current assets. Asset M was bought for Tk.2,40,000 some year ago and is now valued at Tk.5,000,000. This asset is not depreciated.

Asset N was bought for Tk.7,00,000 five years ago and has been depreciated at 10% on cost per annum. It is now valued at Tk.12,00,000. There is no change to its useful life.

Show the journals to record the asset revaluations, and show the balance sheet extracts for the non-current assets and the revaluation reserve. Calculate the annual depreciation charge for asset N following the revaluation. 9

10. Terry Carpets sells floor covering to the public. At its year end 31 December 2009 it has recorded as sales Tk.12,000 received from customers as deposits on carpets which are not due to be invoiced until February 2010. In January 2010 it records a Tk.500 refund from one of its main suppliers as a result of exceeding the agreed level of custom during 2009.

Prepare journals:

- (a) Recording these transactions in the ledger accounts for the year-ended 31 December 2009. 4
(b) Recording these transactions in the ledger accounts for the year ended 31 December 2010. 4

11. L, N and M are in partnership and share of profits in the ratio 3:2:1. They also agree that:
(a) All three should be received interest at 12% on capital.
(b) M should receive a salary of Tk.6,000 per annum.
(c) Interest will be charged on drawings at the rate of 3% (charged on the total drawings in the year).
(d) The interest rate on the Tk.6,000 loan from L is 5%.

Their capital and current accounts as at 1 January 2010 are as follows:

	Tk.	Tk.
Capital account as at 1.1.2010		
L	20,000	
N	8,000	
M	<u>6,000</u>	34,000
Current account as at 1.1.2010		
L	9,500	
N	3,300	
M	<u>8,800</u>	21,600
Drawings made during the year to 31 December 2010 were:		
L	(6,000)	
N	(4,000)	
M	<u>(7,000)</u>	<u>(17,000)</u>
		<u>38,600</u>

The net profit for the year to 31 December 2010 was Tk.24,870 before deducting loan interest.

Prepare a profit and loss appropriation statement for the year to 31 December 2010, and the partners capital accounts and current accounts at that date. 10

12. Horace Ltd. has the following transactions with respect to its product T:

Opening inventory: Nil

Buys 10 units at Tk.300 per unit

Buys 12 units at Tk.250 per unit

Sells 8 units at Tk.400 per unit

Buys 6 units at Tk.200 per unit

Sells 12 units at Tk.400 per unit

Using FIFO, calculate the following on an item by item basis: 10

- i) Closing inventory, ii) Sales, iii) Cost of sales, iv) Gross profit

– The End –